



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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JOHN NAIMO
ACTING AUDITOR-CONTROLLER

REVISED

June 26, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo
Acting Auditor-Controller

SUBJECT: **TRINITY YOUTH SERVICES – A FOSTER FAMILY AGENCY AND
GROUP HOME FOSTER CARE CONTRACT PROVIDER – FISCAL AND
ALLEGATION REVIEW**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of Trinity Youth Services (Trinity or Agency) from July 1, 2008 through June 30, 2009. Trinity has offices in the Fourth and Fifth Supervisorial Districts, and in San Bernardino and Riverside counties.

DCFS contracts with Trinity to provide Foster Family Agency (FFA) services to recruit, certify, train, and support foster family homes. At the time of our review, Trinity had 539 Los Angeles County children placed in 102 certified foster homes. DCFS paid the Agency between \$1,589 and \$1,865 per child per month, for a total of approximately \$3.5 million. Trinity paid approximately \$1.4 million (40%) directly to foster parents, which meets the State's minimum requirement of 40%.

In addition, the County contracts with Trinity to care for Probation youth placed in the Agency's group homes (GH). The County pays Trinity \$5,891 per child per month, based on a rate determined by the California Department of Social Services, for a total of approximately \$8.5 million in GH foster care funds in Fiscal Year (FY) 2008-09.

The issuance of our report to your Board was significantly delayed by two issues. The first issue was Trinity claimed they had unrestricted donations that should offset the questioned expenditures noted in our audit. To resolve this issue, we worked with County Counsel and DCFS and determined how to treat unrestricted donations when an agency cannot demonstrate exactly how those funds were used. The second issue was a review of an allegation that Trinity had loaned foster care funds to three

organizations affiliated with the Agency (Advanced Education Services, Triad Family Services, and ACTS for Children) from FY 2007-08 to 2009-10. Our review of the allegation confirmed that Trinity had loaned approximately \$2.3 million in Los Angeles County foster care funds to the affiliated organizations. While \$1.6 million of the loans had been repaid as of March 2012, the loaning and commingling of foster care funds indicate that Trinity was not managing foster care funds appropriately.

To enable Trinity to begin taking corrective action as soon as possible, we discussed the findings and recommendations from our review with Agency management in 2010, 2011, and again in 2012. We also notified DCFS of Trinity's financial viability issues in 2010.

The attached report has been revised from a report our office originally issued on June 5, 2013. In our original report, we included 20 audit recommendations and incorrectly reported that Trinity declined an exit conference. Subsequent to the issuance of our report, we discussed our findings with Trinity management and have allowed them to provide additional information relevant to our audit findings. We also resolved the issue relating to the treatment of donated funds and we revised our report to allow Trinity to apply their unrestricted donations against unallowable/questioned costs. We also reviewed the Agency's subsequent audited financial reports and confirmed Trinity has improved their financial viability. This revised report does not include seven of our original recommendations relating to Trinity's financial viability, donated funds, and cost allocation concerns.

Summary of Findings

In our original report, we identified a total of \$538,478 in unallowable and questioned costs, including \$315,890 in credit card and loan penalties and interest, \$91,313 in penalties and interest on delinquent payroll taxes, \$86,752 in non-sufficient funds and bank overdraft charges. After our exit conference, Trinity demonstrated that \$6,577 of the questioned costs was billed to another State, reducing our total unallowable/questioned costs to \$531,901.

Trinity reported spending \$315,078 in private unrestricted donations for their operating expenses. As a result, we further reduced the amount of unallowable/questioned FFA and GH costs to \$216,823 (\$531,901 - \$315,078). Trinity also receives funding from non-County sources, therefore, only a portion of the questioned expenditures noted in our review is attributed to the County's FFA and GH programs. Using the equitable cost allocation plan that Trinity developed subsequent to our review, we determined that the amount of the questioned expenditures attributed to the County's FFA and GH programs totaled \$53,151 which Trinity repaid subsequent to our review.

Financial Condition

Trinity's audited financial statements for FYs ended June 30, 2008 through June 30, 2010 included going-concern qualifications, indicating the Agency may have problems

continuing to operate because of substantial operating losses and significant liabilities for delinquent payroll taxes. As of June 30, 2011, Trinity still owed approximately \$2.4 million in delinquent federal and State payroll taxes, penalties, and interest. Subsequent to our exit with Trinity, we reviewed the Agency's audited financial statements for FY ended June 30, 2013 and noted that Trinity's financial condition has improved and their auditor no longer includes the going-concern qualification in their report. Additionally, the audited financial statements reported \$886,400 in net income, and net assets of \$1,877,193. We also confirmed that Trinity paid off the \$2.4 million in delinquent payroll taxes, penalties, and interest.

Details of our findings and recommendations are discussed in Attachment I.

Review of Report

We discussed our revised report with Trinity management and DCFS on October 16, 2013 and March 21, 2014. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan (Attachment II), indicates general agreement with our findings and recommendations.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including, but not necessarily limited to, Welfare and Institutions Code sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law. This audit is intended solely to assist DCFS in managing its contractual relationships. Consequently, this report is being forwarded to DCFS in order that it might take further action as it deems appropriate, based on the report's contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

We thank Trinity's management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:meb

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, DCFS
Jerry E. Powers, Chief Probation Officer
Mark J. Saladino, Treasurer and Tax Collector
John Neuuber, Chief Executive Officer, Trinity Youth Services
Board of Directors, Trinity Youth Services
B. Ray Thomas, Manager, Program/Provisional Unit, CDSS
Fanita Polk-Reaves, Manager, Audits Policy and Support Unit, CDSS
Commission for Children and Families
Public Information Office
Audit Committee

Trinity Youth Services
Foster Family Agency and Group Home Foster Care Contract Provider
Fiscal and Allegation Review

REVIEW OF EXPENDITURES/REVENUES

We identified a total of \$531,901 in questioned expenditures, including \$499,722 in unallowable expenditures, and \$32,179 in inadequately supported expenditures. In addition, our review of an allegation disclosed that Trinity Youth Services (Trinity or Agency) had loaned approximately \$2.3 million in Los Angeles County foster care funds to three organizations affiliated with the Agency (Advanced Education Services, Triad Family Services, and ACTS for Children) from Fiscal Year (FY) 2007-08 to 2009-10. While \$1.6 million of the loans had been repaid as of March 2012, the loaning and commingling of foster care funds indicate that Trinity was not managing foster care funds appropriately.

The Department of Children and Family Services (DCFS) and the Agency also need to work together to resolve some potential overpayments related to the number of days children were placed in Trinity's care. Details of these findings are discussed below.

Applicable Regulations and Guidelines

Trinity is required to operate its Foster Family Agency (FFA) and group homes (GH) in accordance with the following federal, State, and County regulations and guidelines:

- FFA and GH Contracts, including the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook)
- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations (Circular A-122)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

Unallowable Expenditures

We identified \$499,722 in unallowable expenditures. Specifically:

- \$315,890 in credit card and loan penalty and interest charges.
- \$91,313 in Internal Revenue Service (IRS) and California Employment Development Department penalties and interest on delinquent payroll taxes.
- \$86,752 in non-sufficient funds (NSF) and bank overdraft fees.

- \$5,767 in other unallowable charges, including parking citations, late fees, donations to other organizations, and a Community Care Licensing penalty.

Circular A-122 (Sections 16 and 23) state that penalties and interest are unallowable expenditures.

Unsupported/Inadequately Supported Expenditures

A-C Handbook Section A.3.2 states that expenditures must be supported by original vouchers, invoices, receipts, or other supporting documentation, and that unsupported expenditures will be disallowed upon audit.

Trinity did not provide adequate documentation to support the following \$32,179 in expenditures. Specifically:

- \$18,376 in payments for two Agency vehicles, one that was used exclusively by Trinity's Chief Executive Officer (CEO) and another that was assigned to the GH Director. Trinity did not maintain mileage logs to document the business or personal use of the vehicles. In addition, the CEO's vehicle, a Lexus LS 430, cost \$67,724, which appears excessive and not necessary for the operation of the FFA/GH programs.
- \$13,803 in other unsupported/inadequately supported expenditures, including agent fees from a bond issued by the California Statewide Communities Development Authority, petty cash expenditures, and a hotel stay in Arizona.

Trinity reported spending \$315,078 in private unrestricted donations for their operating expenses. As a result, we further reduced the amount of unallowable/questioned FFA and GH costs to \$216,823 (\$531,901 - \$315,078). Trinity also receives funding from non-County sources, therefore, only a portion of the questioned expenditures noted in our review is attributed to the County's FFA and GH programs. Using the equitable cost allocation plan that Trinity developed subsequent to our review, we determined that the amount of the questioned expenditures attributed to the County's FFA and GH programs totaled \$53,151, which Trinity repaid subsequent to our review.

Recommendations

Trinity Youth Services management:

1. **Repay the Department of Children and Family Services \$53,151 in unallowable and unsupported/inadequately supported expenditures.**
2. **Ensure that foster care funds are used for allowable expenditures.**
3. **Maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

Potential DCFS Overpayments

DCFS notified Trinity in Calendar Years 2008 and 2009 of potential overpayments it made to the Agency. However, Trinity did not resolve the discrepancies within 30 days as required by the contract. Some of the discrepancies were outstanding for over two years. Subsequent to our review, the Agency resolved the discrepancies with DCFS. Trinity management needs to ensure that payment discrepancies are resolved in a timely manner.

Recommendation

4. **Trinity Youth Services management ensure that payment discrepancies are resolved with the Department of Children and Family Services in a timely manner.**

TRINITY'S FINANCIAL CONDITION

Trinity's audited financial statements for FYs ended June 30, 2008 through June 30, 2010 included going-concern qualifications, indicating the Agency may have problems continuing to operate because of substantial operating losses and significant liabilities for delinquent payroll taxes. As of June 30, 2011, Trinity still owed approximately \$2.4 million in delinquent federal and State payroll taxes, penalties, and interest. Subsequent to our exit with Trinity, we reviewed the Agency's audited financial statements for FY ended June 30, 2013 and noted that Trinity's financial condition has improved and their auditor no longer includes the going-concern qualification in their report. Additionally, the audited financial statements reported \$886,400 in net income, and net assets of \$1,877,193. We also confirmed that Trinity paid off the \$2.4 million in delinquent payroll taxes, penalties, and interest.

ALLOCATION OF COSTS

A-C Handbook Section C.2.0 requires agencies to allocate expenditures that benefit multiple programs or funding sources on an equitable basis. During our review period, Trinity operated FFA, GH, and Mental Health programs, and received funding from Los Angeles, San Bernardino, Riverside, Sacramento, Orange, and San Diego counties.

However, Trinity did not have a formal written cost allocation plan, and did not provide documentation to support how they determined the expenditure amounts allocated to the County's programs.

Subsequent to our review, Trinity developed a cost allocation plan that reallocated its shared expenditures amongst benefiting programs and funding sources on an equitable basis. Trinity must ensure it maintains documentation to support a formal cost allocation plan to allocate shared expenditures.

Recommendation

5. Trinity Youth Services management maintain documentation to support a formal cost allocation plan to allocate shared expenditures among the Agency's programs.

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted several contract compliance issues and internal control weaknesses. DCFS should ensure that Trinity takes action to address each of the recommendations in this report. DCFS should also monitor to ensure the actions result in permanent changes.

Accounting and Disbursement Procedures

Trinity owns several vehicles, but did not keep logs to document if/when they are used for Agency business. A-C Handbook Section A.3.2 requires that agencies maintain vehicle mileage logs identifying the dates, destinations, purpose, beginning and ending odometer readings, and the resulting mileage. The logs must clearly identify business and non-business/personal travel. We questioned the cost of two vehicles as part of the Unsupported/Inadequately Supported Expenditures section of this report.

Recommendation

6. Trinity Youth Services management maintain a mileage log for each Agency vehicle, identifying the dates, destinations, purposes, beginning and ending odometer readings, and the resulting mileage.

Payroll/Personnel Records

A-C Handbook Section B.3.1 states that timecards or time reports must be prepared for each pay period, and all timecards or time reports must be signed by the employee and supervisor to certify the accuracy of the reported time.

We reviewed 20 personnel files and payroll records, and noted the following:

- Nine (45%) timecards were either not signed by a supervisor, or the employee signed as both the worker and supervisor.
- One (5%) timecard did not show any hours worked. However, the payroll register indicated the employee was paid for 80 hours.

Recommendations

Trinity Youth Services management:

7. **Ensure timecards are signed by a supervisor to certify the accuracy of the reported time.**
8. **Ensure timecards report the actual hours worked by each employee.**
9. **Resolve the timecard discrepancy, and collect any verified salary overpayments.**

Reporting Payments to Contractors

A-C Handbook Section A.2.6 requires contractors to comply with federal and State requirements for filing IRS Form 1099 (Miscellaneous Income). We noted that the amount paid to one independent contractor in the Agency's accounting records did not agree with the 1099 Form. Trinity management should ensure that all payments to independent contractors are reported accurately on the 1099 Forms.

Recommendation

10. **Trinity Youth Services management ensure that all payments to independent contractors are reported accurately on the 1099 Forms.**

Bank Reconciliations

A-C Handbook Section B.1.4 requires bank reconciliations to be prepared within 30 days of the bank statement date, and reviewed by management for appropriateness and accuracy. The bank reconciliations should be signed and dated by both the preparer and the reviewer.

For the general operating account, we noted the following:

- None of the 12 reconciliations were dated. As a result, we could not determine if the reconciliations were prepared within 30 days of the bank statement date.
- Six (50%) of the 12 reconciliations were not signed by the preparer.
- One (8%) of the 12 reconciliations was not signed by the reviewer.

For the payroll account, we noted the following:

- None of the 12 reconciliations were prepared within 30 days of the bank statement date.
- Eleven (92%) of the 12 reconciliations were not signed by the preparer or the reviewer.

Recommendation

11. Trinity Youth Services management ensure that bank reconciliations are prepared within 30 days from the bank statement date, and are signed and dated by the preparer and reviewer.

Fixed Assets

A-C Handbook Section B.4.2 requires agencies to maintain a current list of fixed assets, including the item description, serial number, purchase date, acquisition cost, and source(s) of funding. In addition, agencies should conduct an inventory of fixed assets at least once a year, and ensure that all fixed assets are accounted for, and maintained in proper working order.

Trinity's fixed asset listing did not identify the source(s) of funding, and the Agency did not inventory its fixed assets on an annual basis as required.

Recommendations

Trinity Youth Services management:

12. Inventory fixed assets at least once a year to ensure that all fixed assets are accounted for, and maintained in proper working order.
13. Identify the source(s) of funding for each asset on the fixed asset listing.



**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

425 Shatto Place, Los Angeles, California 90020
(213) 351-6602

PHILIP L. BROWNING
Director

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Chief Deputy Director

Board of Supervisors
GLORIA MOLINA
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MARK RIDLEY-THOMAS
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ZEY YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

March 27, 2014

John Neluber, Chief Executive Director
Trinity Youth Services
P.O. Box 848
Colton, CA 92324-0848

Dear Mr. Neluber:

**AUDITOR-CONTROLLER'S FISCAL REVIEW OF TRINITY YOUTH SERVICES – A
FOSTER FAMILY AGENCY AND GROUP HOME FOSTER CARE CONTRACT PROVIDER**

We have reviewed your fiscal corrective action plan (FCAP) received on March 25, 2014 in response to the Auditor-Controller's final draft fiscal audit. Trinity Youth Services and the County of Los Angeles (including the Auditor-Controller and the Department of Children and Family Services) agree that the portion of the total questioned/disallowed costs identified in the Auditor-Controller's audit report that is owed to the County is \$53,151. Additionally, Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of Trinity's FCAP.

Please submit a check in the amount of \$53,151 to DCFS. Please make your check payable to DCFS Cashier and mail to:

Department of Children and Family Services
425 Shatto Place Rm. 304
Los Angeles, CA 90020

If you have any questions, please contact Ali Gomaa-Mersal, Financial Specialist IV, at (213) 351-3209.

Sincerely,


Diana Faggs, ASM II
Contracts Administration Division

c: Sandra Gomez, Principal Accountant-Auditor (via electronic mail only)
Rhonda David-Shirley, LMFT, CSA III (via electronic mail only)

ATTACHMENT

**AUDITOR-CONTROLLER'S FISCAL REVIEW OF TRINITY YOUTH SERVICES – A
FOSTER FAMILY AGENCY AND GROUP HOME FOSTER CARE CONTRACT
PROVIDER**

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the revised FCAP received on March 25, 2014, submitted by Trinity Youth Services status of each recommendation is summarized as follows:

- 13 Recommendations (1-13) were fully addressed.
- Recommendations () were partially addressed.
- Recommendations () directed to the Department were addressed.

Recommendation Status

1. **Trinity Youth Services management repay the Department of Children and Family Services \$53,151 in unallowable and unsupported/inadequately supported expenditures.**

Agency Proposed FCAP: Trinity Youth Services has worked diligently with representatives from the Los Angeles County Auditor-Controller to appropriately allocate the remaining disallowed and inadequately supported expenditures. Trinity Youth Services and the Los Angeles County Office of the Auditor-Controller have mutually agreed that \$53,151 will be repaid to Los Angeles County DCFS.

Trinity will remit the entirety of the agreed upon amount to Los Angeles County DCFS, no later than thirty days after this FCAP has been approved

DCFS Response: Please submit a check in the amount of \$53,151 to DCFS. Please make your check payable to DCFS Cashier and mail to:

Department of Children and Family Services
425 Shatto Place Rm. 304
Los Angeles, Ca. 90020

2. **Trinity Youth Services management ensure that foster care funds are used for allowable expenditures.**

Agency Proposed FCAP: In an effort to ensure that foster care funds are used for allowable expenditures, Trinity will monitor and evaluate each expense, verifying that the amounts charged to each facility are appropriate and allowable.

Unallowable expenditures deemed necessary for the Agency's operation will be segregated and paid for using non-program funds, such as charitable donations, rent and/or sales of property, or other sources of income.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions. Please submit a copy of Trinity's revised policies to ensure this recommendation is implemented. The policies should include language indicating Trinity will comply with the record keeping provisions in both its FFA and GH contracts, the A-C Contract Accounting and Administration Handbook in those contracts and that all expenditures of foster care funds will be recorded as required in those contracts, and allowable as stated in the California Department of Social Services Manual of Policies and Procedures and as stated in OMB Circular A-122.

3. **Trinity Youth Services management maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

Agency Proposed FCAP: It is the policy and practice to maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.

All invoices must be verified and approved by a Facility Director or an Officer of the Agency prior to submission to the Accounting Department. Requests for payment submitted without the appropriate support documentation and approval signatures will be held, unpaid, until proper authorization is received.

Once approved, the Accounting Department will verify the amounts, authorization and purpose of the expense, then post the expense appropriately.

Upon payment of the invoice(s), the documents are retrieved from the OPEN ACCOUNTS PAYABLE file. Again, the invoice documents are verified to the check amount and payee, and the check stub is attached to the invoice. The Agency Controller or CAO will then re-check the invoices stamped "PAID" and initial the documentation prior to filing.

The missing receipts discovered during the initial audit were a minor, and unfortunate occurrence, and not indicative of Trinity's practice. When tangible receipts are not available for legitimate expenditures (meters, parking and toll roads, et. al.) the Facility Director or Supervisor must attach a detailed memo to the request for reimbursement.

DCFS Response: Please submit Trinity's documentation of its plan to comply with the record keeping provisions in both its FFA and GH contracts, the A-C Contract Accounting and Administration Handbook in those contracts and that all expenditures of foster care funds will be recorded as required in those contracts,

and allowable as stated in the California Department of Social Services Manual of Policies and Procedures and as stated in OMB Circular A-122.

Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

4. **Trinity Youth Services management ensure that payment discrepancies are resolved with DCFS in a timely manner.**

Agency Proposed FCAP: Trinity Youth Services is currently in compliance with DCFS Overpayment Procedures, and has confirmed that there are no unpaid overpayment balances. Trinity will communicate with DCFS as overpayments occur to ensure that resolution is achieved in a compliant manner.

DCFS Response: The Overpayment Unit will actively work with Trinity to resolve any pending overpayments and collect any valid overpayments amounts.

5. **Trinity Youth Services management maintain documentation to support a formal cost allocation plan to allocate shared expenditures among the Agency's programs.**

Agency Proposed FCAP: Trinity Youth Services has worked collaboratively with the office of the Auditor-Controller to move from the previously approved FTE and Sq. Ft. allocations methodology to the Labor Cost methodology, which is also acceptable under the provisions of the contract and OMB A-122.

Labor Costs include: all Wages, Payroll Taxes, Unemployment Taxes, Professional Fees (direct client care), Worker's Compensation Insurance, Group Health Insurance, and Required Employment Fees, such as background checks, fingerprinting and training.

Each month, when the financial reporting is completed, the total of the Labor Costs for each facility is divided into the total for all facilities to determine the specific percentage of Labor Costs per site. The percentage is then used to equitably allocate the Administrative Costs to each facility.

DCFS Response: Please submit a copy the cost allocation plan to the Fiscal Compliance Unit by April 15, 2014. Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

6. **Trinity Youth Services management maintain a mileage log for each Agency vehicle, identifying the dates, destinations, purposes, beginning and ending odometer readings, and the resulting mileage.**

Agency Proposed FCAP: Trinity has begun maintaining mileage logs for each Agency Vehicle in accordance with contract provisions. Trinity has also contracted with Company Mileage.

DCFS Response: Please submit a copy of Trinity's plan or operational policy or protocol change that demonstrates how Trinity will comply with this recommendation by April 15, 2014. Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

7. **Trinity Youth Services management ensure time cards are signed by a supervisor to certify the accuracy of the reported time.**

Agency Proposed FCAP: Procedures have been established for the verification of all timecards. All timecards will be reviewed by the Facility Director or Department Supervisor for accuracy of completion. Upon review and signature approval, timecards will be submitted to the Payroll Department for processing and auditing.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

8. **Trinity Youth Services management ensure time cards report the actual hours worked by each employee.**

Agency Proposed FCAP: Timecard procedures have been updated to provide more accurate program allocation information.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

9. **Trinity Youth Services management resolve the time card discrepancy, and collect any verified salary overpayments.**

Agency Proposed FCAP: The individual timecard which was identified as incomplete was resubmitted and verified. All timecards with missing signatures were reviewed and resubmitted with appropriate signature approvals.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

10. **Trinity Youth Services management ensure that all payments to independent contractors are reported accurately on the 1099 Forms.**

Agency Proposed FCAP: Procedures were established and implemented in January, 2011, to verify that the amount paid to independent contractors is correct

and has required signature approvals prior to issuance of the 1099. A draft run of the 1099 is then completed and payment amounts are matched to a custom report, which pulls the check history information. Any amounts not in balance are researched, corrected and resubmitted. Issuance of the 1099 does not occur until all amounts are in balance.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

11. **Trinity Youth Services management ensure that bank reconciliations are prepared within 30 days from the bank statement date, and are signed and dated by the preparer and reviewer.**

Agency Proposed FCAP: In early 2010, Trinity Youth Services implemented procedural changes to ensure that bank reconciliations are completed in a timely manner, and in compliance with contract provisions and the Auditor-Controller Handbook. We began implementing the use of the "Bank Reconciliation Module" which accompanies our accounting software (MAS 200) at that time. All bank accounts are now reconciled within the 30-day requirement, and each reconciliation is reviewed by a second (non-chain-of-handling) employee to verify that the reconciliation is in balance with the General Ledger.

In accordance with the Auditor-Controller Contract Accounting and Administration Handbook, our Bank Statements are received and reconciled by staff with no cash handling or check writing responsibilities on the accounts they reconcile.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

12. **Trinity Youth Services management inventory fixed assets at least once a year to ensure that all fixed assets are accounted for, and maintained in proper working order.**

Agency Proposed FCAP: It is the established practice of Trinity Youth Services to conduct a physical inventory of all inventory items, including Fixed Assets, during the last week of the Fiscal Year. The physical inventory is audited by an independent auditing firm, and is verified against the Agency's accounting records. Appropriate adjustments are recorded as necessary.

This practice was established in 2010. A physical inventory of all assets has always been done for our warehouse facility. In 2010, the practice was carried to the sites.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

13. **Trinity Youth Services management identify the source(s) of funding for each asset on the fixed asset listing.**

Agency Proposed FCAP: During the audit period, Trinity Youth Services did not purchase any Fixed Assets for \$5,000 or more. Trinity has established procedures to track all fixed assets and each funding source in accordance with contract provisions, as well as guidelines set forth in the Auditor-Controller's Handbook. Additionally, we have revised our fixed assets procedure as recommended, and will be issuing inventory control tags for all portable capital assets such as computers and printers.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.